

## MEXICO

### Priorities supported by indicators

#### **Raise achievement in primary and secondary education (2005, 2007, 2009)**

**Recommendations:** Reallocate education resources towards non-wage spending. Review incentives for teachers to enhance students' learning outcomes.

**Actions taken:** As part of the framework of the Alliance for Quality Education between the government and the main teachers' union, spending on school infrastructure has been increased and 10 000 schools have been renovated. In 2008, new teachers were selected for the first time through a centralised entry exam, and a major reform is underway to link teachers' career progression more closely to performance and student learning outcomes, rather than to their seniority and initial education.

#### **Reduce barriers to entry in network industries (2005, 2007, 2009)**

**Recommendations:** Increase the effectiveness and enforceability of competition-enhancing access regulations. Remove legal obstacles to private investment in the electricity sector and fixed line telephony.

**Actions taken:** Assisted by the OECD, the government launched in 2007 a process for strengthening competitiveness in Mexico to promote regulatory and competition policy reform. One outcome is the launch of an online one-stop shop that reduces the time to start a new business to one day. Authorities have initiated phone number portability and given permits to commercialise or resell mobile phone services.

#### ► **Reduce barriers to foreign ownership (2005, 2007, 2009)**

**Recommendations:** Ease restrictions on foreign direct investment in services and infrastructure, especially in the electricity sector and fixed line telephony.

**Actions taken:** A new law reducing ownership restrictions in telecommunications has been approved in the lower chamber of Congress. Approval in the upper chamber is pending.

### Other key priorities

#### **Improve the "rule of law" (2005, 2007, 2009)**

**Recommendations:** Improve the rule of law by clarifying property rights and ensuring more effective and predictable law enforcement.

**Actions taken:** No action taken.

#### **Reform the tax system (2005, 2007)**

**Recommendations:** Simplify the tax system and broaden the VAT tax base to raise labour productivity by facilitating tax administration and reducing distortions.

**Actions taken:** The tax system was reformed in 2007. It introduced an effective minimum tax on businesses (IETU), which can be offset against income tax liabilities, and a tax on cash deposits, which is deductible against both the income tax and the IETU.

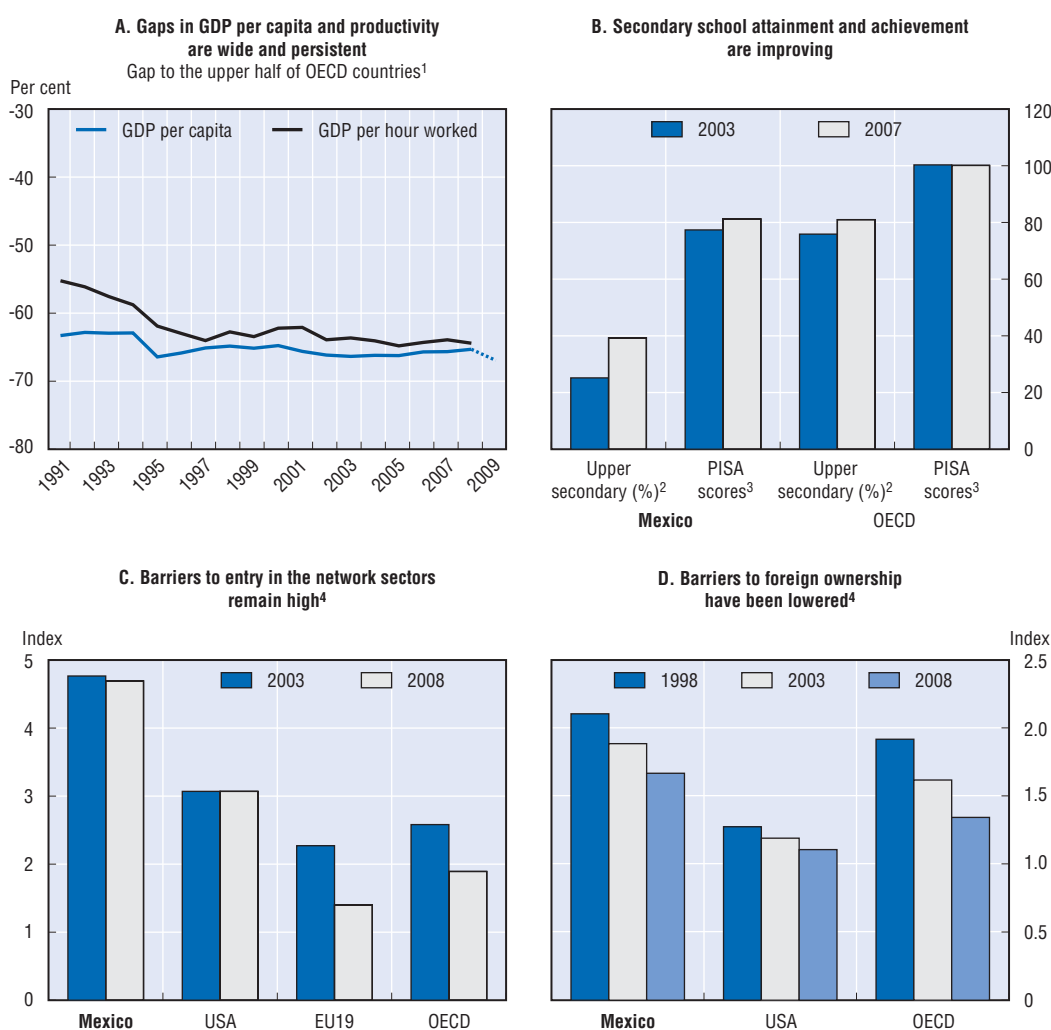
#### **Reform the state-owned oil company (2009)**

**Recommendations:** Improve the governance of PEMEX by lifting investment constraints and strengthening accountability for efficient operation. Facilitate risk and profit sharing with other companies so as to facilitate access to technologies.

**Actions taken:** A comprehensive energy sector reform was launched in 2008, which will gradually increase the independence and accountability of PEMEX, and allow cash incentives for contractors that meet pre-specified performance objectives. However, profits and property rights on hydrocarbons will not be shared.


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- While the overall macroeconomic framework has been substantially improved over the last fifteen years, not least through balanced budgets and an independent inflation-targeting central bank, growth in Mexico is lower than in dynamic emerging markets, preventing catch-up to the leading OECD economies.
- In key priority areas, an important reform of basic education is underway, and reforms have been passed for both the tax system and the state oil company. Entry restrictions into the telecommunications sector have been eased, and a rapid business start-up system has been introduced.
- Some reforms in other areas have taken place, including a significant unilateral reduction in import tariffs.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gap in GDP per capita for 2009 is an OECD estimate, based on the *OECD Economic Outlook*, No. 86.
2. Percentage of population aged 25-34 that has attained at least upper-secondary education.
3. Average mean score of student performance in mathematics, science and reading in 2006. Index OECD = 100.
4. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, *National Accounts and Economic Outlook 86 Databases*; Charts B: OECD (2009), *Education at a Glance* and OECD, *PISA 2006 Database*; Charts C and D: OECD, *Product Market Regulation Database*.

StatLink  <http://dx.doi.org/10.1787/786611566183>